

VZCZCXRO5814
RR RUEHRG
DE RUEHBR #0117/01 0191205
ZNR UUUUU ZZH
R 191205Z JAN 06
FM AMEMBASSY BRASILIA
TO RUEHC/SECSTATE WASHDC 4219
INFO RUEHAC/AMEMBASSY ASUNCION 5156
RUEHBU/AMEMBASSY BUENOS AIRES 3716
RUEHCV/AMEMBASSY CARACAS 3091
RUEHLP/AMEMBASSY LA PAZ 4320
RUEHPE/AMEMBASSY LIMA 2807
RUEHMN/AMEMBASSY MONTEVIDEO 5984
RUEHSG/AMEMBASSY SANTIAGO 5269
RUEHRG/AMCONSUL RECIFE 4190
RUEHRI/AMCONSUL RIO DE JANEIRO 1351
RUEHSO/AMCONSUL SAO PAULO 6129
RUCPDO/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC

UNCLAS SECTION 01 OF 04 BRASILIA 000117

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SENSITIVE

DEPT FOR H, WHA/BSC
DEPT PLEASE PASS TO USTR FOR KLEZNY/MSULLIVAN
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E.O. 12958: N/A

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SUBJECT: CODEL MCCONNELL MEETS BRAZILIAN POLICYMAKERS

¶1. (SBU) Introduction. During a January 9 stop in Brasilia, a congressional delegation led by Senator Mitch McConnell met with Brazilian government leaders. The meetings were positive and covered a range of issues, including trade, the MINUSTAH peacekeeping mission to Haiti, Venezuela's entry into Mercosul, the outlook for a Morales presidency in Bolivia, and general Brazilian security issues. Separate summaries of the meetings follow. End Introduction.

¶2. (SBU) During a January 9 visit to Brasilia, a CODEL led by Senator Mitch McConnell (KY), Majority Whip and Chairman of the State, Foreign Operations and Related Agencies Subcommittee of the Appropriations Committee, met with the Acting Minister of Development, Industry and Trade Mario Mugnaini, Minister for Institutional Security General Felix, and Foreign Minister Celso Amorim. In addition to Senator McConnell, the CODEL included:

- Senator Mel Martinez (FL);
- Senator Richard Burr (NC); and
- Senator John Thune (SD).

MINISTRY OF DEVELOPMENT, INDUSTRY AND TRADE

¶3. (SBU) The McConnell CODEL met with Acting Minister of Development, Industry and Commerce (MDIC) Mario Mugnaini Jr. and Special Assistant Aloisio Gomes Neto to discuss how Brazil and the US might further their trade relationship. Mugnaini was mostly in talking mode, wanting to explain the current Brazil/US trade relationship and where he would like to see it going. The GOB is currently unsatisfied with last year's 12 percent increase in trade with the US (which is well below Brazil's average increase with trading partners in Latin America). Both sides agreed that the US is still Brazil's single most important trading partner.

Looking to Increase Exports and Imports

¶4. (SBU) While currently exports make up 16 percent of Brazilian GDP and exports and imports combined make up 25 Percent, MDIC would like for exports alone to make up 25 percent of the Brazilian GDP. Mugnaini said Brazil is looking for a 5 percent increase in imports to, and exports from, the US. When pressed, Mugnaini said the sectors the

Ministry sees the most room for growth are services (with a caveat that more negotiations in the WTO are needed), capital goods, electronics, mechanical equipment, and chemicals for medicine manufacture and fertilizer production. High quality fertilizer from the US would help Brazil increase agricultural production and therefore exports, he said.

Agriculture, An Age Old Problem

15. (SBU) Brazil and US agricultural aims are often in conflict and therefore complicate the import/export picture, according to Mugnaini. When Senator Thune pointed out that Brazil's agricultural exports to the US outweigh US agricultural exports to Brazil by 10 to 1, Mugnaini complained of a high effective tariff Brazil pays to export sugar to the US (presumably referring to the over quota tariff rate). Mugnaini also mentioned US cotton subsidies and a lack of satisfactory movement by the USG to comply with the WTO panel ruling. Senator Thune said the issue is in the process of being resolved. Senator Martinez suggested that joint marketing of orange juice to Asia is one area that would benefit both Brazil and US producers.

US FTAs Everywhere; How about With Mercosul?

16. (SBU) Mugnaini pointedly asked why the US has recently completed so many free trade agreements with other countries in the hemisphere while no movement has been seen on the FTAA or a bilateral agreement with Mercosul. Brazil is willing, he said, to move forward on bilateral agreements, but will not abandon the FTAA. Senator McConnell said that in spite

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of its co-chairmanship of the FTAA, Brazil has not demonstrated the same level of commitment to a trade agreement that countries like Peru, etc. have shown. Senator Martinez added that the recent inclusion of Venezuela (with its open animosity towards the FTAA) into Mercosul further complicates the equation. Mugnaini admitted that negotiating a bilateral trade agreement would be difficult given Brazil's Mercosul obligations. He opined that Venezuela will not be easily integrated into Mercosul and he does not see full inclusion for well over a year.

17. (SBU) The senators repeated their overall point: if Brazil would like to continue FTAA negotiations, set a date for talks, take a leadership role. The senators questioned the political will of the current Brazilian administration to continue with free trade negotiations -- bilateral or multilateral -- given upcoming elections. Mugnaini expressed similar concerns in light of the upcoming end of Trade Promotion Authority and said that Brazil's leadership in Latin America warrants a deepened relationship between our two countries, especially in the area of trade. He suggested that perhaps a deepening of private/public fora on free trade in both countries would be a way to continue the discussions.

MINISTRY OF FOREIGN AFFAIRS

18. (U) In his meeting with the CODEL, Foreign Minister Amorim was joined by Under Secretary for Political Affairs Antonio de Aguiar Patriota, as well as Paulo Alvarenga from Itamaraty's US Desk.

Brazil as Global Power

19. (SBU) Amorim greeted the CODEL with a comprehensive presentation on Brazilian foreign policy, recapping Brazil's priorities and accomplishments under the Lula administration. Amorim described the current Brazilian vision of a multi-polar world, taking exception to a statement that described Brazil as a regional, rather than global, power. Amorim described US-Brazil relations as good to great, noting

his friendship with Secretary of State Rice and between Presidents Bush and Lula.

Haiti - Brazil in for the Long-Haul

¶10. (SBU) The CODEL opened a discussion on Haiti by extending condolences for the January 7 death of General Urano Teixeira da Matta Bacellar, the Brazilian general who had led the MINUSTAH peacekeeping mission in Haiti since August 2005. Amorim avoided discussing the specifics surrounding General Bacellar's death, but reiterated public statements he had made indicating that Brazil is committed to continuing the mission in Haiti. While noting that preserving law and order is essential, Amorim voiced concern that without jobs, improved infrastructure, and industrial development, it will be difficult to make fundamental changes in Haiti's situation.

Bolivia - Urging Moderation

¶11. (SBU) In response to a question by Senator Martinez, Amorim shared his view that Bolivian president-elect Evo Morales had rightly chosen to work through the democratic process. Amorim recounted that he and President Lula had met with Morales on a number of occasions since 2002, always encouraging him to work for change following a democratic course. Amorim expressed surprise that Morales had been successful so quickly on the electoral front. Despite his general support for Morales, Amorim acknowledged that unchecked nationalism on the part of Morales could be problematic; noting substantial Brazilian investments in Bolivia and the countries' 3200 kilometer shared border. Amorim emphasized the need for Morales to govern in a moderate manner that encourages investment and trade.

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Another Pitch for Mercosul-US Negotiations

¶12. (SBU) In the upteenth time within the last couple years, Amorim made a pitch that the US negotiate a bilateral free trade agreement with the Mercosul trade bloc. Amorim drew a distinction between Mercosul and other US FTA partners, claiming the levels of industrial development in Brazil and Argentina denote interests which require negotiation of a different type of agreement than that which the US has pursued with other countries, such as El Salvador. He stated that the US position on agricultural subsidies in the WTO Doha negotiations was helpful, both in terms of the Doha round and for possible bilateral negotiations. Providing some insight into Mercosul dynamics, Amorim at one point said that on many issues, he doesn't even need to consult his Mercosul colleagues, because "he knows what they think."

¶13. (SBU) Visibly uncomfortable when Senator Martinez wondered how such a bilateral deal would be possible with Venezuela in Mercosul, Minister Amorim responded that many questions "remain unanswered" regarding Venezuela's Mercosul membership, adding that "at this stage, Venezuela in Mercosul is more of a political desire than a reality."

THE PLANALTO

¶14. (SBU) The Presidency's Minister for Institutional Security, General Jorge Armando Felix, opened his meeting with the CODEL with a briefing on the functions of his office, the Institutional Security Cabinet (GSI) of the Presidency. He explained the GSI's roles in overseeing Brazil's intelligence service (ABIN), interfacing with the armed forces, coordinating the national drug prevention program and planning for and facilitating interagency management of a range of crises, from natural disasters to major land invasions. Felix was accompanied by senior GSI officials with responsibilities in these areas.

The Tri-Border Area

¶15. (SBU) Senator Burr asked Felix for his views on US-Brazil cooperation in intelligence and security, and whether changes in the US intelligence community (IC) had impacted Brazil. Felix responded that bilateral cooperation is very good, with long-standing and successful operational cooperation between Brazilian security services and US counterparts, including in monitoring activities in the Tri-Border Area (TBA). He indicated changes in the US IC had not negatively affected cooperation, praised his reception during a recent working visit to US agencies, and said it was imperative that nations work closely together in facing threats that cross borders. Elaborating on the TBA question, Felix noted that the region is a fulcrum for a range of illegal activities, including smuggling, narcotrafficking, product piracy and money laundering, but that there is "no evidence" currently of operational activities by terrorist cells. But Brazil, he continued, is "attentive" to any potential terrorist threats, and has also mounted a major interagency enforcement effort in the TBA over the past year aimed at interdicting smuggling and other illegal cross-border activities.

¶16. (SBU) Senator McConnell pressed Felix on his assertion that there is no indication of terrorist activities in the TBA. Felix stressed the use of the term "evidence" and hastened to add that the GOB understands and concerned that cells are present in the area, and is actively monitoring them. He went on to explain changes in the last two-plus decades in Middle Eastern immigration into Brazil, noting the traditional majority of Christians from Syria and Lebanon settled in greater Sao Paulo, followed in recent years by an increase in Muslims from Lebanon moving especially into the TBA. But the GOB is resistant to characterizations that could "stigmatize" entire ethnic groups, and hence is careful in its assessments and statements regarding terrorism, he added.

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Bolivia

¶17. (SBU) In response to questions from Senator Thune and Martinez, Felix noted that other threats from the TBA and other frontier areas with Bolivia include arms trafficking (he noted the preponderance of weapons are of U.S. and Eastern European origin) and, especially, narcotrafficking. With regard to the recent electoral victory in Bolivia of Evo Morales, Felix noted that Morales is making a rhetorical distinction between growth of coca leaf for traditional applications, which Morales supports, and narcotrafficking, which Morales says he will combat. The GOB is watching this closely and has outlined its concern to Morales, including in a recent meeting between Morales and Lula. The length of Brazil's border with Bolivia and the influx of cocaine products into Brazil make this a crucial issue, Felix said, but Brazil is approaching the question calmly. There is focus within the GOB on finding ideas and channels for investment and development in Bolivia that can ameliorate the extreme poverty that makes cocaine trafficking so attractive to many growers, Felix added.

¶18. (U) This cable was cleared by CODEL McConnell prior to transmission.

CHICOLA